



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

December 30, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

*Wendy L. Watanabe
by
Schneiderman*

SUBJECT: **SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC. –
A DEPARTMENT OF PUBLIC SOCIAL SERVICES DOMESTIC
VIOLENCE SUPPORTIVE SERVICES AND COMMUNITY SERVICE
BLOCK GRANT PROGRAMS PROVIDER – CONTRACT COMPLIANCE
REVIEW**

We completed a review of Southern California Alcohol and Drug Programs, Inc. (SCADP or Agency) to determine the Agency's compliance with three County contracts. The Department of Public Social Services (DPSS) contracts with SCADP, a non-profit organization, to operate the Domestic Violence Supportive Services (DVSS) Program, which provides services to eligible participants who have been victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims. DPSS also contracts with SCADP to operate the Community Services Block Grant (CSBG) Angel Step Too (AST) Program, which provides transitional housing and HIV/AIDS counseling to homeless women and their children; and the CSBG Awakenings (Awakenings) Program, which provides counseling and substance abuse treatment to low-income deaf and hard of hearing individuals. Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11.

The purpose of our review was to determine whether SCADP appropriately accounted for and spent DVSS and CSBG funds to provide the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contracts and other applicable guidelines.

DPSS paid the Agency approximately \$166,000 for the DVSS Program on a cost-reimbursement basis for FY 2010-11. DPSS also paid the Agency approximately \$87,000 for the AST Program, and \$15,000 for the Awakenings Program on a fixed monthly fee per participant for FY 2010-11. SCADP provides DVSS Program services to residents of the First Supervisorial District, and provides AST and Awakenings Program services to residents of the Fourth Supervisorial District.

Results of Review

We noted significant areas of non-compliance and weaknesses in SCADP's revenue and expenditure accounting. As a result, SCADP did not provide sufficient documentation to support the amounts billed to DPSS. Specifically, SCADP:

- Did not keep separate revenue accounting records for each of its programs, and did not keep separate expenditure accounting records for the AST and Awakenings Programs. As a result, the Agency could not determine the total revenues and expenditures for each County program, or determine if they had any unspent revenue.

SCADP's attached response indicates that they will revise their accounting records, and repay any overbilled amounts.

- Did not reconcile their bank accounts to their accounting records.

SCADP's attached response indicates that they will revise their reconciliation format to ensure they reconcile their bank accounts to their accounting records.

- Inaccurately recorded revenue in their accounting records based on one-twelfth of the annual contract budgets per month, instead of the actual amount received.

SCADP's attached response indicates that they will revise their accounting records.

- Did not have documentation for the allocation of any of the \$3,943 in the shared non-payroll expenditures that the Agency billed to the DVSS Program from August through December 2010.

SCADP's attached response indicates that they will revise their accounting records, and repay any overbilled amounts.

- Inappropriately allocated \$29,215 in payroll costs to the DVSS Program from July through December 2010 using rates that were based on estimates, instead of the actual hours worked.

SCADP's attached response indicates that they will revise their accounting records, and repay any overbilled amounts.

- Did not have a Cost Allocation Plan that complied with the County contract.

SCADP's attached response indicates that they will develop an appropriate Cost Allocation Plan.

It is imperative that DPSS require SCADP to correct the deficiencies noted in our report immediately. If the Agency does not correct the deficiencies, DPSS should consider taking the actions necessary to place the Agency in the County's Contractor Alert Reporting Database (CARD) for non-compliance with their County contracts.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SCADP in October 2011, and with DPSS in November 2011. SCADP's attached response indicates agreement with our findings and recommendations. DPSS indicated they will work with SCADP to ensure that the recommendations are implemented, and recover any overpayments. We plan to conduct a follow-up review within six months from the date of this report to determine the status of our recommendations.

We thank SCADP management for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Acting Director, Department of Public Social Services
Gary Munger, Board Chair, SCADP
Lynne Appel, Executive Director, SCADP
Public Information Office
Audit Committee

**SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM AND COMMUNITY
SERVICES BLOCK GRANT PROGRAMS
FISCAL YEAR 2010-11**

ELIGIBILITY

Objective

Determine whether Southern California Alcohol and Drug Programs, Inc. (SCADP or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS), Community Services Block Grant (CSBG) Angel Step Too (AST), and CSBG Awakenings (Awakenings) Program eligibility requirements.

Verification

We reviewed the case files for eight (13%) of the 61 DVSS Program participants, who received services during October and November 2010, for documentation to confirm their eligibility. We also reviewed the case files for the two (100%) AST Program participants, and the one (100%) Awakenings Program participant who received services in December 2010.

Results

SCADP had documentation of the 11 participants' eligibility for the applicable Program's services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether SCADP provided services according to the County contracts, and the DVSS, AST, and Awakenings Program guidelines. In addition, determine whether the Program participants received the billed services.

Verification

We visited SCADP's three service sites, and reviewed the case files for eight (13%) of the 61 DVSS Program participants who received services during October and November 2010. We also reviewed the case files for the two (100%) AST Program participants, and the one (100%) Awakenings Program participant who received services during December 2010.

Results

SCADP provided the services in accordance with the County contracts.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether SCADP's staff had the qualifications required by the County contracts.

Verification

We reviewed the personnel files for seven (70%) of the ten SCADP employees who worked on the DVSS, AST, and Awakenings Programs.

Results

SCADP's staff had the required qualifications.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether SCADP recorded cash receipts and revenue properly in the Agency's financial records, and deposited cash receipts in the Agency's bank accounts timely.

Verification

We interviewed SCADP management, and reviewed the Agency's financial records and December 2010 bank reconciliations.

Results

SCADP deposited cash receipts into the Agency's bank accounts timely. However, the Agency's revenue accounting procedures violate basic accounting practices. Specifically, SCADP:

- Inaccurately recorded revenue based on one-twelfth of the annual contract budgets each month, instead of the actual amounts received.
- Did not have separate revenue accounts for each County and non-County program as required.
- Did not reconcile their bank accounts to their accounting records.

Recommendations**SCADP management:**

1. **Revise the Agency's accounting records for the contract term to ensure the revenues are recorded based on actual receipts, and maintain separate revenue accounts for each program.**
2. **Ensure bank accounts are reconciled to the Agency's accounting records when completing the bank reconciliations.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether expenditures charged to the DVSS, AST, and Awakenings Programs were allowable under the County contracts, properly documented, and accurately billed.

Verification

We interviewed SCADP's personnel, and reviewed financial records for \$3,943 in non-payroll expenditures that the Agency billed to the DVSS Program from August through December 2010. We also attempted to review the Agency's records for the AST and Awakenings Programs.

Results

Our review disclosed significant issues with the Agency's expenditure records. Specifically, SCADP does not separately account for AST and Awakenings Programs' expenditures. As a result, the Agency did not have documentation to support any of the non-payroll expenditures charged to the AST and Awakenings Programs. SCADP did maintain a separate accounting record of DVSS Program expenditures. However, the Agency did not have documentation to support how they allocated any of the \$3,943 in shared expenditures reviewed that were charged to the DVSS Program.

Recommendations**SCADP management:**

3. Revise the Agency's accounting records for the contract term to separate and reallocate expenditures by program using appropriate allocation methods, provide DPSS with supporting documentation, and repay any overbilled amounts.
4. Ensure expenditures are accounted for by program in the Agency's financial records.
5. Ensure shared expenditures are allocated in compliance with the County contracts, and maintain supporting documentation.

PAYROLL AND PERSONNEL**Objective**

Determine whether SCADP charged payroll costs to the DVSS, AST, and Awakenings Programs appropriately. Also, determine whether SCADP obtained required criminal background clearances and employment eligibility for employees working on the Programs.

Verification

We traced the payroll costs for three employees, totaling \$5,643, assigned to the DVSS Program in December 2010 to the Agency's payroll records and time reports. We also reviewed financial records for the AST and Awakenings Programs, interviewed staff, and reviewed personnel files for ten staff assigned to the DVSS, AST, and Awakenings Programs.

Results

SCADP inappropriately allocated \$3,553 (63%) of the \$5,643 in DVSS Program payroll costs based on estimates, instead of actual hours worked. As a result, we expanded our review to include payroll costs billed from July through December 2010, and noted SCADP inappropriately allocated an additional \$25,662 to the DVSS Program.

SCADP also did not have signed Employee Acknowledgement and Confidentiality Agreements for five (71%) of the seven employees reviewed. After our review, the Agency obtained signed agreements for the employees.

Recommendations

Refer to Recommendations 3, 4 and 5.

- 6. SCADP management obtain signed Employee Acknowledgement and Confidentiality Agreements for all employees working on the Programs.**

COST ALLOCATION PLAN

Objective

Determine whether SCADP's Cost Allocation Plan was prepared in compliance with their County contracts, and was used to appropriately allocate shared costs.

Verification

We reviewed the Agency's Cost Allocation Plan, and a sample of expenditures SCADP incurred from July through December 2010.

Results

SCADP's Cost Allocation Plan was not prepared in compliance with the County contract. Specifically, the Agency's Cost Allocation Plan used an unallowable method (program budgets) to allocate shared expenditures.

Recommendation

- 7. SCADP management develop a Cost Allocation Plan that complies with the County contract.**

CLOSE-OUT REVIEW

Objective

Determine whether SCADP had any unspent revenue that may need to be repaid to DPSS for the DVSS, AST, or Awakenings Programs during Fiscal Year 2009-10.

Verification

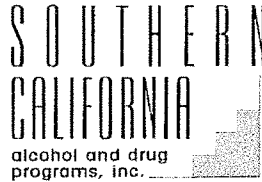
We attempted to trace the total revenues and expenditures from SCADP's close-out reports to the Agency's accounting records, and to DPSS' payment records.

Results

The Agency did not have accounting records to support their close-out reports for each Program. As a result, we could not determine whether the Agency had any unspent revenue.

Recommendation

- 8. SCADP management prepare and provide DPSS with revised close-out reports for the contract term based on their revised accounting records, and repay any unspent revenue.**



Administrative Offices

- ☐ 11500 Paramount Blvd., Downey, CA 90241
(562) 923-4545 x2226
(562) 862-0918 FAX

Residential Programs

- ☐ Awakenings Residential Program
For Deaf & Hard of Hearing Persons
(562) 947-3835 Voice
(866) 544-7588 Video Relay Phone
- ☐ American Indian Services
(562) 461-9272
- ☐ Angel Step Inn
Domestic Violence Emergency Shelter
(323) 780-1112 Hotline
(323) 780-7285 Business
- ☐ Angel Step Too Transitional Shelter
Bellflower, CA
(562) 461-9272
- ☐ Baby Step Inn
(562) 986-5525
- ☐ Bud & Marcie House
(562) 944-5617
- ☐ Casa Libre Supportive Housing Program
(323) 269-6901
- ☐ CIDER House Program for Men
(562) 923-7894
- ☐ Foley House for Women and Children
(562) 944-7953
- ☐ Heritage House for Women & Children
(949) 646-2271
- ☐ Heritage House North
(714) 687-0077
- ☐ Heritage House Village
(714) 999-5960
- ☐ Heritage House Cottages
(714) 399-1148
- ☐ La Casa for Women and Children
(562) 622-2268
- ☐ Long Beach Residential
(562) 432-0413
- ☐ Positive Steps HIV/AIDS Services
(562) 923-7894
- ☐ Outpatient Programs
 - ☐ Angel Step Inn Walk-In Resource Center
(562) 949-5358
 - ☐ Awakenings Outpatient Program
For Deaf & Hard of Hearing Persons
(562) 947-3835 Voice
(866) 544-7588 Video Relay Phone
 - ☐ Casa Libre Family Center
(562) 927-1656
 - ☐ Co-Occurring Disorders Division
(562) 923-4545 x2233
 - ☐ Drug & Alcohol Counseling Services
(562) 923-4545 x2256
 - ☐ Drug Court - South East Regional
(562) 236-2090
 - ☐ Home-Based Services
Youth Probation Services
(562) 923-4545
 - ☐ L.I.F.E. Program:
Permanent Housing Division
(562) 923-4545 x2243
 - ☐ The Next Step Voc/Ed Services
(562) 923-4545
 - ☐ Whittier Counseling Center
(562) 236-2090
 - ☐ Women's Council
(562) 923-4545 x2234
 - ☐ Youth and Family Services
(562) 862-9766

Drinking Driver Programs

- ☐ Downey, CA
(562) 923-4545 x2280
- ☐ Cerritos, CA
(562) 402-2466

Executive Director / CEO
Lynne Appel, M.S., CAIAC II

To: Wendy L. Watanabe
Auditor-Controller

From: Lynne Appel, Executive Director

Date: October 26, 2011

Re: **SOUTHERN CALIFORNIA ALCOHOL AND DRUG
PROGRAMS, INC. – A DEPARTMENT OF PUBLIC SOCIAL
SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES
AND COMMUNITY SERVICE BLOCK GRANT PROGRAMS
PROVIDER – CONTRACT COMPLIANCE REVIEW**

The Agency Responses are in the Attachment. Please call me at 562-923-4545, Ext 2226 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Lynne Appel". The signature is written in a cursive, flowing style.

Lynne Appel
Executive Director

Attachment

Cc: Kenyatta Ortega, Supervising Contract Administrator
Elizabeth Alatorre, County Contract Administrator

over 35 years of counseling and care . . .

DRAFT A-C CONTRACT COMPLIANCE REVIEW
SOUTHERN CALIFORNIA ALCOHOL AND DRUG PROGRAMS, INC.
FISCAL YEAR 2009-10

A-C's Findings	A-C's Recommendations	Potential Overpayment	SCADP Comments
The Agency's revenue accounting procedures violate basic internal controls. Specifically, SCADP: • Inaccurately records revenue based on one-twelfth of the annual contract budgets, instead of based on actual receipts. • Does not maintain separate revenue accounts for each County and non-County program as required. • Does not reconcile their bank accounts to their accounting records.	1. Revise accounting records for the contract term to ensure the revenues are recorded based on actual receipts, and maintain separate revenue accounts for each program. 2. Ensure bank accounts reconcile to the accounting records when completing the bank reconciliations.		1. We will revise the accounting records for the contract term to ensure the revenues are recorded based on actual receipts, and maintain separate revenue accounts for each program. 2. We will revise our monthly bank reconciliation format.
SCADP could not provide sufficient supporting documentation for any of their non-payroll expenditures because the Agency accounts for expenditures by facility location, instead of by program, and does not maintain a separate accounting record of AST and Awakenings Program expenditures. SCADP does maintain a separate accounting record of DVSS Program expenditures. However, the Agency did not have documentation to support the method used to allocate all \$3,943 (100%) of the shared non-payroll expenditures reviewed that the Agency billed to the DVSS Program.	3. Revise accounting records for the contract term to separate and reallocate expenditures by program using appropriate allocation methods, provide DPSS with supporting documentation, and repay any overbilled amounts. 4. Ensure expenditures are accounted for by program in the Agency's financial records. 5. Ensure shared expenditures are allocated in compliance with the County contracts and maintain supporting documentation.	\$3,943	3, 4, and 5. We will adhere to the noted recommendations.
The A-C reviewed SCADP's separate accounting record of DVSS Program expenditures and noted that the Agency inappropriately allocated \$3,553 (63%) of the \$5,643 in payroll costs based on estimates rather than actual hours worked. As a result, we expanded our review to include payroll costs billed from July through December 2010 and noted SCADP inappropriately allocated an additional \$25,662 to the DVSS Program. SCADP did not obtain signed Employee Acknowledgement and Confidentiality Agreements for five (71%) of the seven employees reviewed. Subsequent to our review, the Agency obtained signed agreements for the employees.	Refer to Recommendations 3, 4 and 5. 6. SCADP management obtain signed Employee Acknowledgement and Confidentiality Agreements for all employees working on the Programs.	\$29,215	6. We will maintain signed Employee Acknowledgement and Confidentiality Agreements for all employees working on the Programs.
SCADP's Cost Allocation Plan was not prepared in compliance with the County contract. Specifically, the Agency's Cost Allocation Plan identifies an unallowable method (program budgets) for allocating shared expenditures.	7. SCADP management develop a Cost Allocation Plan that complies with the County contract.		7. We will develop a Cost Allocation Plan that complies with the County contract.
SCADP's close-out reports indicate that the Agency did not have any unspent revenue. However, the Agency could not provide documentation to support their close-out reports and we could not determine whether the Agency had any unspent revenue.	8. SCADP management prepare and provide DPSS with revised close-out reports for the contract term based on their revised accounting records, and repay any unspent revenue.		8. We will adhere to the noted recommendations.
TOTAL OVERPAYMENT		\$33,158	